

Relational Governance and Inter-organizational Performance: An In-depth Analysis of Trust, Opportunism, and Solidarity in Ecuadorian SMEs

Lizbeth Suárez-Morales¹ , Ivan Alberto Illescas Rendon¹ , Cesar Augusto Pozo Estupinan¹ ,
Mercedes Johanna Espinoza Espinoza¹ , Amalia Mariuxi Aguay Tomala¹ 

¹ Bolivarian University of Ecuador, Ecuador

Corresponding author: Lizbeth Suárez-Morales | lsuarezm@ube.edu.ec

ORCID: <https://orcid.org/0000-0002-4323-4523>

DOI: <https://doi.org/10.29073/e3.v12i2.1219>

Received: 08/06/2026 | **Accepted:** 29/09/2026 | **Published:** 13/10/2026

Online First

This article has been published online before inclusion in the final issue. It has been assigned to Volume 12, Issue 2 (2026). Final pagination will be added when the issue is completed.

ABSTRACT

This study analyzes relational governance in micro, small, and medium-sized enterprises (SMEs) in Ecuador, focusing on the paradox of coexistence between trust and opportunism. The objective is to quantify structural dependence and evaluate how institutional voids affect social capital under the lenses of Transaction Cost Economics and Social Exchange Theory. Using a sample of 107 companies, this quantitative correlational research measures trust, opportunism, and solidarity levels toward suppliers, clients, and competitors. Findings reveal extreme structural dependence: 89% of micro-enterprises rely on a remarkably small client group for 80% of their revenue. Furthermore, the coexistence paradox is empirically confirmed, where high levels of opportunism from clients (43.3%) are tolerated through unconditional hyper-solidarity (98.1%) and "calculative trust" acting as safeguard mechanisms against institutional weakness. In horizontal governance, low intra-industry trust (37.3%) hinders coopetition strategies. The article proposes a hybrid relational governance framework integrating digital technologies.

Keywords: Relational governance; Trust, Opportunism; SMEs; Transaction Cost Theory

1. INTRODUCTION

The global business fabric, particularly in emerging and developing economies, is fundamentally sustained by micro, small, and medium-sized enterprises (SMEs). These organizations are not merely the numerical majority in the corporate landscape; they constitute the primary engine for employment generation, economic resilience, and social cohesion (Keefer & Scartascini, 2022). In Latin America, however, SMEs operate in highly volatile environments characterized by profound institutional voids, regulatory uncertainty, and shifting political landscapes. Within this regional context, the entrepreneurial dynamics of Ecuador exhibit remarkably singular characteristics. According to the most recent Global Entrepreneurship Monitor (GEM) 2024 report, the Ecuadorian entrepreneurial ecosystem has faced a "perfect storm" driven by severe energy shortages, rising public insecurity, and a deepening migration crisis (Espinoza et al., 2024). Despite these overwhelming macro-environmental challenges, Ecuador boasts an Early-Stage Entrepreneurial Activity (TEA) rate of 33.37%, positioning it at the very top of Latin America and vastly exceeding the regional average of 20.45% (Espinoza et al., 2024).

Nevertheless, this seemingly triumphant index of business creation coexists with a structurally complex reality: approximately 90.8% of these entrepreneurial ventures are driven almost exclusively by necessity due to the severe scarcity of formal employment opportunities (Espinoza et al., 2024). This survival-driven motivation pushes economic actors

into low-value-added sectors characterized by fierce competition, low scalability, and extreme vulnerability to external shocks. (Espinosa et al., 2024) Within this intricate ecosystem—further hampered by the weakness of formal institutions, unequal access to commercial financing, and high friction costs in contract enforcement (Gil-Barragan & López-Sánchez, 2021)—the survival and sustained growth of SMEs depend critically on their ability to manage their inter-organizational networks and relationships (Quevedo, 2019).

The systemic absence of strong formal institutions forces entrepreneurs and SME managers to rely heavily on informal governance mechanisms to sustain their upstream supply chains (suppliers) and downstream commercialization channels (clients) (Keefer & Scartascini, 2022). It is precisely at this analytical intersection that two of the most influential theoretical paradigms in the contemporary study of business-to-business (B2B) relationships converge and often collide: Transaction Cost Economics (TCE) and Social Exchange Theory (SET).

On the one hand, TCE, seminally developed by Oliver E. Williamson (1979, 1985), assumes that economic actors operate under bounded rationality and are inherently prone to opportunism—defined as "self-interest seeking with guile". TCE dictates that firms must implement formal governance structures and rigid contractual safeguards to protect their specific asset investments from being exploited by opportunistic partners (Williamson, 1979). Conversely, Social Exchange Theory (SET) approaches inter-organizational relationships from a sociological and psychological perspective, suggesting that economic transactions are deeply embedded in social exchanges governed by implicit norms of reciprocity, equity, and mutual benefit (Homans, 1961; Blau, 1964; Emerson, 1976). Under the SET framework, trust and solidarity act as the ultimate informal safeguards, reducing the need for costly legal contracts and mitigating transactional risks through accumulated social capital (Homans, 1961; Blau, 1964; Emerson, 1976).

Historically, mainstream management literature has treated trust and opportunism as mutually exclusive extremes on a single continuum: an increase in opportunistic behavior would inevitably lead to the destruction of trust, and vice versa (Cordova Bicudo da Costa et al., 2022). However, recent empirical studies across various industrial sectors have begun to uncover the "trust-opportunism paradox" or the "paradox of coexistence" (Lado et al., 2008). This contemporary perspective posits that in highly constrained environments or interdependent networks, firms might maintain high levels of professed trust and collaborative solidarity while simultaneously perceiving and tolerating significant opportunistic behavior from their business partners (Cordova Bicudo da Costa et al., 2022).

Despite the profound conceptual literature debating these dynamics, there is a notable scarcity of rigorous empirical research that simultaneously quantifies trust, opportunism, and solidarity within the productive fabric of Ecuador. Therefore, this scientific article aims to fill this critical gap by comprehensively analyzing relational governance management in Ecuadorian SMEs. By statistically quantifying the levels of trust, opportunism, and solidarity toward suppliers, clients, and competitors, this research seeks to evaluate the structural vulnerability of these firms, assess their institutional adaptability, and empirically validate the applicability of the trust-opportunism paradox in a high-friction emerging economy.

2. LITERATURE REVIEW

2.1 TRANSACTION COST ECONOMICS (TCE) AND THE THREAT OF OPPORTUNISM

Transaction Cost Economics (TCE) has served as a foundational pillar for understanding the boundaries of the firm and the nature of inter-firm contracts. Originating from the insights of Coase (1937) and formalized by Williamson (1979), TCE postulates that the organization of

economic activity is driven by the imperative to minimize transaction costs—the costs associated with negotiating, monitoring, and enforcing agreements (Williamson, 1979).

The theory rests on two core behavioral assumptions: bounded rationality and opportunism. While bounded rationality acknowledges that human actors intend to be rational but possess limited cognitive capacities to foresee all future contingencies, opportunism is the more structurally disruptive assumption (Williamson, 1979). Williamson (1979) defines opportunism not merely as the pursuit of self-interest, but as the active pursuit of self-interest with deceit or guile, including behaviors such as withholding vital information, failing to fulfill promised obligations, or exploiting vulnerabilities when circumstances change.

In developing economies like Ecuador, the postulates of TCE become intensely magnified. Institutional voids—characterized by weak regulatory enforcement, unpredictable judicial systems, and corruption—drastically inflate the costs of writing and enforcing formal contracts (Gil-Barragan & López-Sánchez, 2021). When formal institutional frameworks fail to provide a reliable safety net, the risk of "moral hazard" and "hold-up" problems escalates, particularly for SMEs that lack the financial leverage to absorb contractual breaches. Consequently, TCE would predict that Ecuadorian SMEs, facing high environmental uncertainty and pervasive opportunism, should either vertically integrate or rely on highly restrictive governance structures to survive.

2.2 SOCIAL EXCHANGE THEORY (SET) AND RELATIONAL GOVERNANCE

Offering a starkly different, yet complementary, perspective, Social Exchange Theory (SET) provides the theoretical architecture for understanding the non-economic, psychosocial dimensions of business transactions. Rooted in the works of Homans (1961), Blau (1964), and Emerson (1976), SET views interpersonal and inter-organizational relationships as a series of ongoing interactions that generate obligations (Homans, 1961; Blau, 1964; Emerson, 1976).

Unlike pure economic exchanges that are discrete, strictly monetized, and legally binding, social exchanges are open-ended, diffuse, and built upon the fundamental "norm of reciprocity" (Homans, 1961; Blau, 1964; Emerson, 1976). SET suggests that firms engage in collaborative behaviors, share information, and display solidarity with the expectation that these actions will be reciprocated over time, thereby building a reservoir of social capital (Homans, 1961; Blau, 1964; Emerson, 1976). In this context, *relational governance* emerges as a powerful mechanism. Relational governance relies on informal, socially binding norms—such as trust, solidarity, flexibility, and mutuality—to coordinate actions and resolve conflicts without resorting to third-party legal enforcement (Roehrich et al., 2020).

Trust is the central currency in this theoretical paradigm (Homans, 1961; Blau, 1964; Emerson, 1976). Inter-organizational trust is broadly defined as the confident expectation that a partner will act benevolently, fulfill their commitments, and refrain from opportunistic behavior even when the opportunity arises (Lado et al., 2008). For SMEs operating in Latin America, where the state's capacity to guarantee business security is often compromised, cultivating deep, trust-based relational governance with key buyers and suppliers is not merely a strategic option, but an absolute necessity for survival.

2.3 THE "TRUST-OPPORTUNISM" PARADOX AND ASYMMETRIC POWER

The traditional management consensus held that trust and opportunism were opposites; the presence of one inherently negated the other (Cordova Bicudo da Costa et al., 2022). However, the evolving complexities of modern supply chains and strategic alliances have led scholars to identify the "trust-opportunism paradox" (Lado et al., 2008).

Recent empirical studies demonstrate that trust and opportunism can, and frequently do, coexist simultaneously within the same inter-organizational relationship (Cordova Bicudo da Costa et al., 2022). This paradox often manifests under conditions of power asymmetry or structural dependency (Coase, 1937). When an SME is highly dependent on a dominant buyer or a monopolistic supplier, the SME may endure opportunistic behavior—such as delayed payments, unilateral margin compressions, or minor contract breaches—because the cost of terminating the relationship (switching costs) is existentially prohibitive (Coase, 1937).

In these asymmetrical relationships, the nature of trust morphs from an affective, integrity-based belief into a "calculative trust" or "pragmatic trust" (Lado et al., 2008). The SME trusts the partner not out of moral conviction, but out of a calculative assessment that the partner will continue to generate transaction volume because it serves their own economic interests (Sun et al., 2023).

2.4 HORIZONTAL GOVERNANCE AND THE CHALLENGES OF COOPETITION

While vertical governance (buyer-supplier relationships) is critical, horizontal governance—the relationships between competitors within the same industry—presents its own unique set of theoretical challenges (Randolph et al., 2023). The concept of "coopetition," the simultaneous pursuit of cooperation and competition among rival firms, has been heralded as a vital strategy for SMEs to pool resources, achieve economies of scale, and foster open innovation (Randolph et al., 2023).

In Ecuador, public policy explicitly promotes horizontal integration through the constitutional framework of the Popular and Solidarity Economy (Economía Popular y Solidaria - EPS) (Andino, 2016). The EPS model advocates for associativeness, mutual support, and community-driven wealth creation over individualistic capital accumulation (Vergara Torres et al., 2025). However, the viability of coopetition and EPS initiatives is severely tested by the dark side of TCE. In environments lacking robust intellectual property protections or functioning arbitration mechanisms, the fear of "free-riding" and horizontal opportunism (e.g., stealing clients, appropriating shared innovations) often overrides the theoretical benefits of collaboration. Consequently, assessing the true state of horizontal trust is paramount for understanding the limitations of cluster development in the region.

3. METHODOLOGY

3.1 RESEARCH DESIGN AND SAMPLE

The present study adopts a quantitative, non-experimental, and cross-sectional research design with a descriptive-correlational scope. The empirical foundation relies on primary data collected through a comprehensive market study specifically focused on evaluating trust management and relationship dynamics in Ecuadorian entrepreneurship and SMEs.

The unit of analysis consisted of economically active enterprises operating within the Ecuadorian territory. Through a non-probabilistic convenience sampling method, a validated final sample of $n = 107$ organizations was achieved. The key informants selected to respond to the survey instrument were business owners, founders, or high-level general managers. This respondent profile guarantees that the data reflects holistic, strategic perspectives regarding the firm's financial dependencies and its direct interactions with upstream, downstream, and horizontal stakeholders.

The sample captures a high degree of heterogeneity, with respondent firms interacting with a vast array of partners. The raw data highlights interactions ranging from large multinational corporations and dominant national entities (e.g., Adelca, Nestlé, Corporación La Favorita, General Motors, CNT, Petroecuador) to a dense network of local, specialized

intermediaries and agricultural providers. This diversity ensures the study maps the genuine complexity of the country's B2B ecosystem.

3.2 VARIABLE OPERATIONALIZATION

The data collection instrument was structured to capture multidimensional data across two primary axes: control variables (to profile structural scale) and theoretical relational constructs (to measure SET and TCE postulates).

1. Structural and Control Variables:

To establish the operational scale and vulnerability of the firms, the following parameters were quantified:

- *Human Capital & Longevity*: Number of full-time employees and years since the company's inception.
- *Financial Velocity*: Average monthly and annual gross income.
- *Fixed and Variable Costs*: Monthly average expenditure on electrical energy (proxy for operational fixed infrastructure) and raw materials (proxy for variable production scale).
- *Market Dependency (TCE proxy)*: To operationalize transactional dependency, a dual-metric approach based on the Pareto principle was utilized. Respondents reported their total average annual client base (C1) and specifically isolated the exact number of clients that jointly represent 80% of their total sales volume (C2).

2. Relational Constructs: To evaluate the dynamics of relational governance, psychometric Likert-type scales of 5 points (ranging from 1 = Strongly Disagree to 5 = Strongly Agree) were adapted from validated international literature. These scales were applied symmetrically to evaluate the firm's relationship with three distinct stakeholder groups: Suppliers (Upstream), Clients (Downstream), and Competitors (Horizontal). The constructs measured were:

- *Trust (Confianza)*: Perceptions of partner honesty, historical fulfillment of agreements, sincerity in communications, and overall suitability/competence.
- *Opportunism (Oportunismo)*: The degree to which partners use individualistic means to satisfy their own goals at the firm's expense, impose zero-sum (non-win-win) negotiations, and deliberately break rules or breach contracts for exclusive benefit.
- *Solidarity (Solidaridad)*: The firm's internal commitment to preserving the relationship long-term and its proactive willingness to be collaborative.

The statistical treatment of the data was executed in successive phases to address the research objectives. First, descriptive statistics (frequency distributions, measures of central tendency such as means and modes) were used to generate the demographic and financial profile of the sample.

Second, to rigorously interpret the ordinal Likert scale data associated with the relational constructs and to filter out the noise of "neutral" responses, the methodology utilized the *Top Two Box* (T2B) indicator. The T2B consolidates the percentage proportions of the two highest agreement ratings (4 = Agree and 5 = Strongly Agree), yielding a robust, unified metric of firm conviction regarding the presence of trust, opportunism, or solidarity in their networks.

Finally, to unravel the mechanisms of structural dependency predicted by TCE, advanced cross-tabulation (cross-tables) analyses were performed. By intersecting the raw data of the total client portfolio ranges (C1) with the critical 80% sales concentration groups (C2), the study mathematically exposed the inherent commercial fragility of the SMEs regardless of their apparent market reach.

4. RESULTS AND DISCUSSION

4.1 DEMOGRAPHIC STRUCTURE AND PORTFOLIO RISK (THE PARETO DEPENDENCY)

The demographic profiling of the sample (n = 107) vividly reflects the "survival isomorphism" characteristic of developing economies, aligning closely with recent macro-assessments of the region. A vast majority, 83.2%, are micro and small enterprises operating with an incredibly lean workforce of between 1 and 25 full-time employees, with a statistical mode of merely 2 employees. Demographically, the ecosystem is youthful and volatile: 65.4% of the firms have been in operation for 10 years or less.

Financially, the landscape demonstrates severe positive asymmetry (right-skewed distribution). While the presence of a small upper echelon (8.4% of firms billing over \$100,000 USD monthly) pulls the arithmetic mean to \$45,834 USD, the predominant reality is much harsher. A significant 39.25% of the SMEs survive on gross monthly incomes ranging from \$0 to \$5,000 USD, anchored by a frequent mode of just \$2,000 USD per month. This financial constraint is mirrored in their fixed cost structures, where 85.05% of businesses report monthly electricity expenditures under \$501 USD (mode = \$60 USD), indicating light asset footprints highly vulnerable to cash flow interruptions.

To truly understand the applicability of Transaction Cost Economics, one must analyze market dependency. When assessing the total annual client base (C1), 59.8% of the firms manage portfolios ranging from 1 to 500 clients. However, applying the Pareto principle to isolate the critical mass that guarantees survival (C2) reveals an extreme structural vulnerability. An overwhelming 70.1% of the total sample depends exclusively on a micro-segment of 1 to 250 clients to generate 80% of their critical revenue, with a mode of only 10 strategic clients.

Table 1 — Cross-Tabulation Matrix: Total Portfolio vs. Critical Clients (80% Sales)

Annual Portfolio Segment (C1)	Concentration: 1-250 Critical Clients (n)	Internal Representation of the Segment
Small (1 - 500) (n = 64)	n = 57	89.06%
Medium (501 - 1000) (n = 11)	n = 4	36.36%
Broad (1501 - 2000) (n = 5)	n = 4	80.00%
Large Vol. (> 5000) (n = 7)	n = 2	28.57%

Source: Own elaboration based on experimental data.

The cross-tabulation in Table 1 definitively proves that this acute dependency transcends apparent business scale. Within the "Small" portfolio stratum (64 firms), 89.06% are financially hostage to fewer than 250 clients. The raw microdata further exposes staggering individual asymmetries: Respondent No. 27 handles 2,000 clients annually, yet 80% of their income is subordinated to a single (1) mega-client; similarly, Respondent No. 97 serves 5,000 clients but relies entirely on 1 client for their core financial viability.

This level of concentration strips the SME of any meaningful bargaining power, creating a textbook scenario for the manifestation of the "hold-up" problem and moral hazard described by TCE. (Quevedo, 2019) Losing a single key account could precipitate immediate bankruptcy for businesses whose modal income is trapped at the \$2,000 line.

4.2 UPSTREAM VERTICAL GOVERNANCE: SUPPLIER DYNAMICS

When evaluating governance facing upstream suppliers, the data highlights a friction-laden environment where firms attempt to balance economic necessity with social capital. Despite literature advocating for deep supply chain integration to foster innovation (Zhou et al., 2024), the predominant procurement tactic among Ecuadorian SMEs is aggressively transactional: 55.14% state that they "make quotes with diverse suppliers for every single order," eschewing long-term cost-sharing analyses (practiced by only 20.6%).

This spot-market volatility is a direct defense mechanism against perceived risk. The evaluation of relational constructs confirms the theoretical paradox of coexistence (Cordova Bicudo da Costa et al., 2022).

Table 2 — Relational Perceptions toward Suppliers (Top Two Box)

Relational Construct	Evaluated Attribute (T2B Scale)	Percentage
Trust (Confianza)	Suppliers are honest in relations	88.79%
	Recognized for fulfilling agreements	91.59%
	Aggregate Construct Average	84.94%
Opportunism (Oportunismo)	Use individual ways for own objectives	46.23%
	Non-win-win (zero-sum) negotiation	34.58%
	Break rules/agreements for own benefit	27.10%
	Aggregate Construct Average	35.94%
Solidarity (Solidaridad)	Commitment to maintain good relations	92.45%
	Always attempt to be collaborative	92.38%
	Aggregate Construct Average	92.42%

Source: Own elaboration based on primary study data

As detailed in Table 2, SMEs project exceptionally high levels of *Solidarity* (T2B = 92.42%) and *Trust* (T2B = 84.94%) toward their supply chain. They overwhelmingly perceive their suppliers as capable of fulfilling agreements (91.59%). Simultaneously, however, they are fully cognizant of a latent threat, reporting an aggregate *Opportunism* index of 35.94%. Tellingly, nearly half the sample (46.23%) explicitly acknowledges that their suppliers pursue individualistic agendas that may run counter to mutual benefit, and 34.58% feel subjected to zero-sum negotiations. The SMEs maintain solidarity as a form of social currency, but their continuous spot-quoting behavior indicates they rely on market mechanisms, rather than blind trust, to keep upstream opportunism in check.

4.3 DOWNSTREAM VERTICAL GOVERNANCE: THE EXTREMES OF CLIENT ASYMMETRY

The evaluation of relationship management downstream (toward clients) provides the study's most dramatic empirical evidence regarding how institutional voids distort business behavior.

Table 3 — Relational Perceptions toward Clients

Relational Construct	Evaluated Attribute (T2B Scale)	Percentage
Trust (Confianza)	Perception of relational honesty	87.74%
	Historical fulfillment of agreements	83.02%
	Aggregate Construct Average	79.67%
Opportunism (Oportunismo)	Use individual ways for own objectives	55.24%
	Imposition of zero-sum negotiation	40.00%
	Deliberate breach of agreements/rules	34.62%
	Aggregate Construct Average	43.31%
Solidarity (Solidaridad)	Unconditional commitment to relationship	98.11%
	Aggregate Construct Average	98.11%

Source: Own elaboration based on primary study data.

The data in Table 3 uncovers a staggering psychological dynamic. The declared *Solidarity* toward clients reaches a near-absolute, unconditional level of 98.11%. Yet, this extreme dedication occurs in a highly toxic transactional environment. The aggregate *Opportunism* generated by clients surges to 43.31%.

Most SMEs (55.24%) operate under the certainty that their clients are manipulating the relationship exclusively for individual gain. More critically for the validation of TCE's darkest predictions, over one-third of the sample (34.62%) explicitly testifies to being victims of deliberate rule-breaking and dolorous breach of contracts by their clients for the clients' exclusive benefit. Inconceivably, despite enduring this measurable economic and moral damage, the SMEs artificially sustain their overall perception of *Trust* at an elevated 79.67%.

4.4 HORIZONTAL GOVERNANCE: THE ATROPHY OF COOPETITION

When the analytical lens shifts from the vertical supply chain to horizontal peer networks (competitors), the entire architecture of social capital collapses.

The Global Index of *Trust* toward competitors plummets to a precarious 37.30%. Deep-seated skepticism and fear of exploitation dominate the Ecuadorian entrepreneurial psyche. A microscopic 21.60% of SMEs believe that companies genuinely share information within the industry, and only 28.40% view their competitors as suitable or competent ("idóneas") partners for joint initiatives.

Consequently, the concept of "coopetition", which modern literature dictates is essential for SME survival in volatile markets (Randolph et al., 2023)—fails to materialize in practice. While 67.0% of respondents claim a superficial, diplomatic commitment to maintaining "good relations" to avoid direct conflict, when pressed on tangible actions, only 37.90% possess the actual willingness to collaborate if requested for a joint project.

4.5 DISCUSSION: SOLIDARITY AS A SURVIVAL CURRENCY (SET VS. TCE)

The empirical results provide profound theoretical implications regarding how Latin American SMEs navigate institutional fragility. Classical Transaction Cost Economics (TCE) assumes that high risks of opportunism should be neutralized exclusively through air-tight legal contracts or vertical integration. However, the reality of the Ecuadorian judicial system—characterized by slow enforcement and prohibitive legal fees, renders formal contracts practically useless for low-value, high-frequency transactions (Roseth et al., 2021).

In the absence of a reliable legal shield, Social Exchange Theory (SET) explains the SMEs' behavioral pivot. The data proves that SMEs deploy an almost irrational level of *Solidarity* (98.11% toward abusive clients), not out of abstract altruism, but as a calculated survival strategy—a mechanism to establish moral obligations. (Homans, 1961; Blau, 1964; Emerson, 1976) Because most of these firms (89%) are financial hostages to fewer than 250 accounts, they cannot afford to legally challenge a client's breach of contract (34.62% incidence). By yielding entirely to the client's needs and embedding the relationship with extreme collaborative solidarity, the SME attempts to elevate the psychological "switching costs" for the dominant buyer. The SME substitutes the non-existent legal contract with the affective currency of SET, hoping that "blind loyalty" will foster reciprocity and prevent the client from moving to a competitor (Cropanzano & Mitchell, 2005).

4.6 RESOLUTION OF THE "TRUST-OPPORTUNISM" PARADOX

This research provides definitive quantitative backing for the "paradox of coexistence" in emerging markets (Lado et al., 2008). How can an SME rate its trust in clients at nearly 80% while simultaneously acknowledging that 35% of those clients deliberately break rules for personal gain?

The paradox is resolved through the lens of power asymmetry and "Calculative Trust" (Lado et al., 2008). In an ecosystem where 90% of entrepreneurship is driven by the desperate need to survive a lack of employment (Espinosa et al., 2024), losing a critical account equates to corporate death. Thus, the SME undergoes a cognitive dissonance resolution: they normalize the client's predatory opportunism, absorbing it internally as a systemic "fixed friction tax" inherent to doing business in Ecuador (Gil-Barragan & López-Sánchez, 2021). The high trust scores reported do not reflect a belief in the client's ethical integrity; rather, they reflect a pragmatic, calculative prediction. The SME trusts, with mathematical certainty, that the client will place the next order because the established routine works, even if that order comes laced with margin compression and payment delays. Trust, here, is stripped of its moral dimension and reduced to mere predictability of cash flow.

4.7 THE FAILURE OF THE POPULAR AND SOLIDARITY ECONOMY (EPS) AND STRATEGIC PROPOSALS

At the macro-policy level, the Ecuadorian state constitutionally champions the Popular and Solidarity Economy (EPS), a framework designed to foster horizontal associativeness, communal wealth, and cooperative clusters (Tapia Toral & Alvarado Espinoza, 2019). However, the EPS model rests axiomatically on the existence of robust intra-industry trust and the willingness to share intangible assets (Andino, 2016).

Our findings (Section 4.4) deal a devastating empirical blow to the foundational assumptions of the EPS in its current state. Horizontal trust is virtually non-existent (37.30%). In a landscape devoid of strong intellectual property protections, SMEs rationally default to the defensive postures of TCE: they refuse to share information (only 21.6% do) out of a justified fear that competitors will act as "free-riders," expropriating innovations and poaching clients. Forcing SMEs into artificial clusters through tied government funding will continuously fail if the underlying fear of horizontal opportunism is not addressed.

Strategic Proposal: Hybrid Relational Governance Framework

To overcome these structural blockades, we propose a transition toward a *Hybrid Relational Governance Framework* encompassing two critical axes:

1. **Digitally-Backed Supply Chain Relationship Governance (SCRG):** Relying solely on hyper-solidarity is unsustainable and erodes profit margins. SMEs must leverage accessible digital technologies (e.g., cloud traceability, blockchain-enabled smart contracts, automated payment gateways). (Zhou et al., 2024) Digitalization creates immutable transaction records, drastically reducing the "information asymmetry" required for opportunism to flourish. Technology can act as the impartial enforcer that the physical judicial system currently fails to be.
2. **The Academic Ecosystem as a Neutral Arbiter:** To resurrect horizontal coopetition and salvage the goals of the EPS, universities must step out of the classroom and act as the institutional guarantors of social capital. (Redes de investigación académica, 2024) Because SMEs inherently distrust one another and the government, academic institutions can serve as neutral, secure hubs for cluster incubation. By hosting joint R&D initiatives and mediating open-innovation consortiums, universities can provide the oversight necessary to prevent free-riding, allowing trust to germinate organically in a protected environment.

5. CONCLUSIONS

This comprehensive empirical research sheds critical light on the complex, often contradictory mechanisms of relational governance utilized by SMEs to survive in the highly volatile, institutionally fragile environment of Ecuador.

1. **Extreme Structural Vulnerability:** We statistically verify a lethal degree of market dependency driven by the Pareto principle. Regardless of overall portfolio size, 89% of micro and small enterprises tether 80% of their economic viability to a critically small fraction of clients (frequently under 250, and often as few as 10). This intense concentration strips SMEs of bargaining power, subjecting them entirely to the externalities and whims of dominant buyers.
2. **Empirical Validation of the Coexistence Paradox:** In response to deep institutional voids and the inability to enforce formal contracts efficiently, Ecuadorian SMEs seamlessly blend the calculations of Transaction Cost Economics with the socio-psychological tools of Social Exchange Theory. Firms assimilate and finance toxic levels of deliberate downstream opportunism (43.3% incidence) as an endemic fixed cost of operation. To protect their fragile lifelines, they deploy an almost unconditional hyper-solidarity (98.1%) and a "Calculative Trust" (79.6%), utilizing relational submission as a strategic armor to mitigate the risk of losing clients to competitors in a survival-driven economy.
3. **The Collapse of Horizontal Open Innovation:** State-sponsored policies promoting cluster development and the Popular and Solidarity Economy (EPS) collide violently with the reality of the market. The systemic collapse of horizontal trust (~37%) and the pervasive fear of intellectual property expropriation completely paralyze intra-industry open innovation. The "dark side" of transaction costs rules horizontally, neutralizing collaborative development.

Recommendations:

At the managerial level, SME directors must urgently prioritize aggressive client diversification strategies to dilute the extreme concentration of sales, thereby reducing their exposure to structural opportunistic blackmail. At the macroeconomic level, policymakers and multilateral development banks must pivot away from merely subsidizing soft credit and blind cluster formations. Resources must be redirected toward constructing "soft institutional infrastructure": ultra-fast private arbitration chambers, simplified and enforceable intellectual property protections, and government-backed digital traceability platforms. Only by mathematically reducing the viability and profitability of opportunistic behavior can genuine social capital and relational trust flourish, enabling the sustainable maturation of the Latin American entrepreneurial ecosystem.

Future Research:

This study is limited by its cross-sectional design, its non-probabilistic convenience sample of 107 firms, and its reliance on a single informant (the owner, founder, or general manager) per firm, all of which restrict the generalizability and causal interpretation of the findings. Future research should pursue longitudinal designs capable of tracking how trust, opportunism, and solidarity evolve over the life cycle of a business relationship, and should complement the Top Two Box indicator with the full distributional statistics (means, standard deviations, and dispersion measures) of the underlying Likert-scale responses, which would allow finer-grained comparisons across firm size, sector, and region. Comparative studies

across other Latin American countries with similarly weak institutional environments would help establish whether the coexistence paradox documented here is a general feature of high-friction emerging economies or a specifically Ecuadorian phenomenon. Finally, future work could test the proposed Hybrid Relational Governance Framework empirically, for instance through pilot programs that pair digital traceability tools with university-mediated coopetition clusters, to assess whether these interventions measurably reduce opportunism and strengthen horizontal trust over time.

REFERENCES

- Acuña, C., Aucique, J., Suanzes, R., Madariaga, J., Laguyás, N., Auerbach, P., & Ponce, D. (2023). *Guayaquil, Ecuador: Mapeo del ecosistema de emprendimiento con foco en GovTech*. Banco Interamericano de Desarrollo.
- Andino, V. (2016). Políticas públicas para la economía social y solidaria, caso de estudio Ecuador. *Cofin Habana*, 11(2), 55–75.
- Blau, P. M. (1964). *Exchange and power in social life*. John Wiley & Sons.
- Coase, R. H. (1937). The nature of the firm. *Economica*, 4(16), 386–405.
- Coraggio, J. L. (2025). *La economía popular solidaria en el Ecuador*. Coraggio Economía.
- Cordova Bicudo da Costa, C., Reyes Junior, E., & de Oliveira Dias, F. (2022). Coexistence of trust and opportunism in cooperative projects between startups. *Organizações & Sociedade*, 29(101), 258–276.
- Cropanzano, R., & Mitchell, M. S. (2005). Social exchange theory: An interdisciplinary review. *Journal of Management*, 31(6), 874–900.
- Emerson, R. M. (1976). Social exchange theory. *Annual Review of Sociology*, 2, 335–362.
- Espinosa, M. P., Armas, R., Reyes, A., Fernández, M. F., Mahauad, M. D., & Espinoza, D. (2024). *The entrepreneurial landscape in Ecuador: Navigating uncertainty amid economic and social challenges*. Global Entrepreneurship Monitor (GEM) Consortium.
- Ferro-Soto, C., Lin, Z. X., & Otero-Neira, C. (2024). Avoiding opportunism and conflict in buyer and seller partnerships. *Asia Pacific Journal of Marketing and Logistics*, 38(3), 817–838.
- Gil-Barragan, J. M., & López-Sánchez, M. J. (2021). The fast lane of internationalization of Latin American SMEs: A location-based approach. *Sustainability*, 13(6), Article 3162. <https://doi.org/10.3390/su13063162>
- Golovanova, S., Avdasheva, S., & Shastitko, A. (2024). Transaction cost economics: From structural alternatives to digital challenges. *Russian Journal of Economics*, 10(1), 1–21.
- Homans, G. C. (1961). *Social behavior: Its elementary forms*. Harcourt, Brace & World.
- Iturralde, W., & Bravo, M. (2025). Reality and resilience of family businesses in Ecuador. *Open Journal of Business and Management*, 13, 3166–3177.
- Keefer, P., & Scartascini, C. (2022). *Confianza: La clave de la cohesión social y el crecimiento en América Latina y el Caribe*. Banco Interamericano de Desarrollo.
- Lado, A. A., Dant, R. P., & Tekleab, A. G. (2008). Trust-opportunism paradox, relationalism, and performance in interfirm relationships: Evidence from the retail industry. *Strategic Management Journal*, 29(4), 401–423.
- Quevedo, A. (2019). Competitividad en MiPymes. *Dominio de las Ciencias*.
- Randolph, R., et al. (2023). Coopetition in SMEs: The coopetitive paradox. *Cogent Business & Management*, 10(1), Article 2287270.
- Redes de investigación académica. (2024). *The role of Latin American universities in entrepreneurial ecosystems: A multi-level study of academic entrepreneurship in Ecuador*. ResearchGate.
- Roehrich, J. K., Selviaridis, K., Kalra, J., Van der Valk, W., & Fang, F. (2020). Inter-organizational governance: A review, conceptualisation and extension. *Production Planning & Control*, 31(6), 453–469. <https://doi.org/10.1080/09537287.2019.1647364>
- Roseth, B., Reyes, A., & Yee Amézaga, K. (2021). *Confianza en la era digital*. Banco Interamericano de Desarrollo.
- Sun, S., Ran, X., & Shi, X. (2023). The preference of inter-organizational trust on corporate benefit-seeking behaviors: A mechanisms-based and policy-capturing analysis. *Sustainability*, 15(15), Article 11630. <https://doi.org/10.3390/su151511630>
- Tapia Toral, M. C., & Alvarado Espinoza, F. G. (2019). Principios básicos de la economía social y solidaria en el marco de las necesidades humanas. *Dominio de las Ciencias*, 5(3), 731–740.

- Vergara Torres, C., Vizuete Negrete, W. L., Barreth González, A. R., & Constante Vergara, M. J. (2025). Ecosistema emprendedor como factor empírico para desarrollar la economía popular social comunitaria generando plazas de trabajo informal ecuatoriano. *Arandu UTIC*, 12(2), 1943–1956. <https://doi.org/10.69639/arandu.v12i2.1040>
- Williamson, O. E. (1979). Transaction-cost economics: The governance of contractual relations. *The Journal of Law and Economics*, 22(2), 233–261.
- Williamson, O. E. (1985). *The economic institutions of capitalism: Firms, markets, relational contracting*. Free Press.
- Zhou, Y., Xu, Y., & Wang, Q. (2024). How to complete supply chain integration and improve supply chain performance through relationship governance in the digital age. *Journal of Global Information Management*.

AUTHORS' CONTRIBUTIONS (CREDIT)

Conceptualization, LSM, IAIR, CAPE, MJEE, and AMAT; methodology, LSM, IAIR, CAPE, MJEE, and AMAT; formal analysis, LSM, IAIR, CAPE, MJEE, and AMAT; investigation, LSM, IAIR, CAPE, MJEE, and AMAT; data curation, LSM, IAIR, CAPE, MJEE, and AMAT; writing—original draft preparation, LSM, IAIR, CAPE, MJEE, and AMAT; writing—review and editing, LSM, IAIR, CAPE, MJEE, and AMAT; visualization, LSM, IAIR, CAPE, MJEE, and AMAT; supervision, LSM, IAIR, CAPE, MJEE, and AMAT. All authors have read and agreed to the published version of the manuscript.

FUNDING

This work was funded by Universidad Bolivariana del Ecuador.

CONFLICT OF INTEREST

The authors declare no competing interests.

DATA AVAILABILITY STATEMENT

The empirical data supporting this study were collected using a research instrument administered to entrepreneurs and stakeholders. The resulting dataset is subject to confidentiality agreements and is therefore not publicly available in its entirety.

ETHICS STATEMENT

The research strictly observed applicable ethical guidelines in data collection and processing, ensuring corporate anonymity and confidentiality of responses.

ACKNOWLEDGEMENTS

The authors declare no acknowledgements.